

ALASKA STATE LEGISLATURE
SENATE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE

February 3, 2014

1:36 p.m.

MEMBERS PRESENT

Senator Bert Stedman, Chair
Senator Peter Micciche, Vice Chair
Senator Kevin Meyer
Senator Pete Kelly

MEMBERS ABSENT

Senator Johnny Ellis

COMMITTEE CALENDAR

SENATE BILL NO. 135

"An Act extending the termination date of the Alaska Health Care Commission; and providing for an effective date."

- MOVED SB 135 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 135

SHORT TITLE: EXTEND ALASKA HEALTH CARE COMMISSION

SPONSOR(S): SENATOR(S) OLSON

01/24/14	(S)	READ THE FIRST TIME - REFERRALS
01/24/14	(S)	HSS
02/03/14	(S)	HSS AT 1:30 PM BUTROVICH 205

WITNESS REGISTER

DAVID SCOTT, Staff
Senator Donny Olson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented SB 135 on behalf of the sponsor.

DAVID MORGAN, Member
Alaska Health Care Commission
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 135.

KRIS CURTIS, Legislative Auditor
Legislative Audit Division
Juneau, Alaska

POSITION STATEMENT: Presented information related to SB 135.

WARD HURLBURT, Chief Medical Officer
Department of Health and Social Services
Chair
Alaska Health Care Commission

Anchorage, Alaska

POSITION STATEMENT: Provided information related to SB 135.

ACTION NARRATIVE

[1:36:39 PM](#)

CHAIR BERT STEDMAN called the Senate Health and Social Services Standing Committee meeting to order at 1:36 p.m. Present at the call to order were Senators, Kelly, Meyer, and Chair Stedman. Senator Micciche arrived shortly thereafter.

SB 135-EXTEND ALASKA HEALTH CARE COMMISSION

[1:37:19 PM](#)

CHAIR STEDMAN announced that the only order of business would be SB 135.

DAVID SCOTT, Staff, Senator Donny Olson, Alaska State Legislature, Juneau, Alaska presented SB 135 on behalf of the sponsor. He explained that the bill extends the sunset of the Alaska Health Care Commission until June 30, 2017. He said the Commission was established in 2010 and consists of eleven voting members and three non-voting members representing the Alaska House of Representative, the Senate, and the Office of the Governor.

He noted that the Legislative Auditor has concluded that the Commission is serving the public interest and is meeting its statutory obligations. There are some concerns and recommendations suggested by Legislative Budget and Audit (LB&A). The bill has an attached Department of Health and Social Services fiscal note.

CHAIR STEDMAN opened public testimony.

[1:39:52 PM](#)

DAVID MORGAN, Member, Alaska Health Care Commission, Anchorage, Alaska, spoke in support of SB 135. He remarked that data and

reports from AHCC have been used extensively, especially those related to cost transparency and cost drivers related to health care cost increases. He said, as an economist, he finds AHCC studies and information have helped to solve problems related to increasing health care costs, such as those related to the Anchorage School District - Medicaid, insurance rates, and retiree health care costs. He pointed out that retiree health care costs are the main driver of increasing costs on the public and private sectors.

He said the Commission has held unbiased studies to help develop ideas to address these problems. The Commission is a good return on investment for the state and for the public. Alaska health care insurance underwriters voiced appreciation for the credible information provided by the Commission about containing health care costs.

[1:44:21 PM](#)

CHAIR STEDMAN noted a fiscal note from the Department of Health and Social Services showing the cost to continue the Commission in the amount of \$165,000 in federal funds and \$335,000 in general funds for a total of \$500,000. The funding is currently included in the Governor's proposed FY 15 operating budget. He said the bill would be heard next in the Senate Finance Committee.

[1:45:14 PM](#)

KRIS CURTIS, Legislative Auditor, Legislative Audit Division, Juneau, Alaska, presented information related to SB 135. She read from the following report:

Our agency conducted a sunset review of the Alaska Health Care Commission. The report is dated May 6, 2013 and should be in your meeting packets. The purpose of the audit was to determine whether the commission was operating in the public's interest and whether its termination date should be extended.

Since this commission is new, our audit provided background information on its creation. The Alaska Health Care Commission was created as a way to help reform health care in Alaska. It was first established by an Administrative Order in 2008 and then reestablished in statute in 2010. The legislature intended for the commission to achieve reform through developing a statewide health plan. The health plan was to be based on 'education, sustainability,

management efficiency, health care effectiveness, public private partnerships, research, personal responsibility, and individual choice.'

The original commission established in 2008 did not consider itself responsible for developing a statewide health plan. Instead, the commission focused its efforts on specific policy recommendations. When the commission was reestablished in statute in 2010, commission members agreed to continue the prior commission's work and use the same general approach. Rather than working on a state plan, the commission collected information from various cost studies and developed high level policy recommendations. The commission also established general priorities which evolved into a strategic framework. The framework is summarized as Appendix A of the audit report.

Overall, the audit concluded that the commission is operating in the public's interest, but improvements in the development of a state health plan are needed to justify its continued existence. The legislature intended the commission to work together with the Department of Health and Social Services to create a comprehensive health plan. Though various policy recommendations were developed, the commission did not collaborate with DHSS to achieve its intended outcome and there is no state health plan. Consequently, the audit recommends only a three year extension - which we considered adequate time to develop a plan.

The audit concludes that this commission is active. Several studies have been conducted and the foundation for a plan has been developed. Our concern is that the framework lacks the actionable components necessary for effective implementation. It does not identify specific actions to be taken, the timeframe for completion, the organization responsible for taking action, the definition of a successful outcome, nor does it specify how progress will be monitored and measured. Without a statewide health plan, the actions of the commission may not effectively impact health care in Alaska. The audit recommends the commission coordinate with DHSS' commissioner to identify each agency's roles and responsibilities regarding developing a plan and pursue development accordingly.

The audit also includes two administrative-type recommendations. One to improve public noticing of meetings and one to ensure annual reports include all statutorily required components.

[1:48:54 PM](#)

WARD HURLBURT, Chief Medical Officer, Department of Health and Social Services, Chair, Alaska Health Care Commission, Anchorage, Alaska, provided information related to SB 135. He explained that the Commission was established to look at the issues of affordability, accessibility, and quality of health care. The Commission has spent most of its time looking at issues related to cost and quality, which go hand in hand.

He reported that the United States has the highest health care costs in the world. He compared costs in the U.S. to those in Switzerland. Alaska has the highest health care costs of all states, except for Massachusetts, and spends more than \$8 billion a year. The state government spends about \$2.5 billion a year on Medicaid and employee and retiree health care plans. The unfunded cost for state retirees is about \$4 billion, which could be brought down by changing health care spending.

DR. HURLBURT referred to a recent headline in the Anchorage Daily News on January 22 about health care costs in their school district. Over the last 30 years, the Anchorage School District has had an average salary increase of about 1 percent above the rate of inflation, but health care costs have increased by 15 percent more than the cost of inflation. Benefits costs have gone from 20 percent of the compensation costs to 45 percent. The Juneau and Fairbanks School Districts have the same findings.

He indicated that the U.S. News and World Report and the Los Angeles Times recently reported that in California hospitals a standard delivery costs between \$3,300 and \$37,000. He gave another example of high medical costs in the New York Times. The Economist had an article called "Need to Know" that highlighted differences in mortality rates. He concluded that issues of transparency in terms of costs, outcomes, and quality are a focus of the Commission.

DR. HURLBURT observed that the legislative audit was very helpful and constructive. The Commission has embraced the idea of fostering a department statewide health plan. The Commission serves as a convener for payers, the department, and the

administration regarding health care costs and transparency. He stressed that the Commission is not looking for a government solution, but rather a market-based solution. He emphasized that equal partnerships will serve Alaskans well and providers need to be leaders in the process.

[1:55:19 PM](#)

SENATOR MEYER asked if three years is enough time to develop a health care plan.

MR. HURLBURT replied that the audit is a positive and constructive process and three years is a reasonable time. He suggested setting a mid-point to determine if the Commission is meeting the needs of the state.

SENATOR MEYER asked why the Commission employs two full-time people.

MR. HURLBURT explained that in the Commission's role of convener and facilitator, there is a lot of outside work and representation to do. He described the roles each employee does regarding putting documents together, developing policy, and providing administrative support.

[1:57:35 PM](#)

SENATOR MEYER inquired about the funding and whether there is a state match.

MR. HURLBURT clarified that the state qualifies for Medicaid funding which equals about one-third of the budget.

[1:58:10 PM](#)

SENATOR MEYER moved to report SB 135 from committee with individual recommendations and attached fiscal note(s).

CHAIR STEDMAN announced that without objection, SB 135 moves from the Senate Health and Social Services Standing Committee with the request for a finance committee referral because it has a fiscal note

[1:59:12 PM](#)

There being no further business to come before the committee, Chair Stedman adjourned the Senate Health and Social Services Standing Committee at 1:59 p.m.